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DOMINION MAGNESIUM
LIMITED

28th

Annual Report

For The Financial Period Ended December 31, 1968

Dominion Magnesium Limited

(Incorporated under the laws of Ontario)

OFFICERS	J. THOMSON - - - Vice-President and General Manager H. B. CLEARIHUE - - - - - - - Secretary-Treasurer
DIRECTORS	J. THOMSON - - - - - - - - - - - Toronto G. T. N. WOODROOFFE - - - - - - - - Toronto C. P. KEELEY - - - - - - - - - - - Toronto F. H. JOWSEY - - - - - - - - - - - Toronto L. M. PIDGEON - - - - - - - - - - Toronto J. M. MORTIMER - - - - - - - - - - Toronto J. R. SMITH - - - - - - - - - - - Toronto W. G. DAHL - - - - - - - - - - - Toronto
TRANSFER AGENT AND REGISTRAR	Crown Trust Company, 302 Bay Street, Toronto, Ontario
AUDITORS	Thorne, Gunn, Helliwell & Christenson, Toronto, Ontario
BANKERS	Royal Bank of Canada, Toronto, Ontario Bank of Montreal, Renfrew, Ontario
GENERAL COUNSEL	Fasken & Calvin Toronto-Dominion Centre, Toronto, Ontario
HEAD AND SALES OFFICE	7 King St. E., Toronto 1
PLANT	Haley, Ontario
ANNUAL MEETING	March 24th, 1969, 11:00 a.m. (Toronto Time) Conference Room - 20th Floor - 7 King St. E., Toronto

Dominion Magnesium Limited

Directors' Report

To the Shareholders:

Your Directors submit herewith the Annual Report of your Company for 1968. Annual sales of your Company's products amounted to $8,552,840 for 1968 as compared with $7,746,311 for 1967. This amounts to a 10% increase over 1967 sales. There was a consolidated net loss for the year of $96,561 equivalent to 20 cents per share as compared to a net profit of $273,223 or 57 cents per share for 1967.

The loss of earnings was due mainly to high costs of ferrosilicon along with higher costs of labour, transportation and other materials.

Shipments of the Company's main products were as follows:

	Year Ended December 31st	
	1968	1967
Magnesium	22,199,936 lbs.	19,553,626 lbs.
Calcium	468,512 lbs.	543,598 lbs.
Thorium	1,048 lbs.	835 lbs.
Titanium	4,105 lbs.	18,059 lbs.
Dolomite	19,595 tons	22,485 tons

Production of magnesium crowns amounted to 22,285,948 lbs. and 647,123 lbs. of calcium crowns were produced. All furnace capacity was in operation during the year. The company also produced and shipped 9,689 lbs. of magnesium zirconium master alloy, 1,789 lbs. of barium and 82 lbs. of strontium. The extrusion plant shipped 1,038,548 lbs. of magnesium alloy extrusions compared to 897,586 lbs. in 1967.

Capital expenditures for the year amounted to $311,647. The main items were the installation of ferrosilicon storage bins, installation of coolers and bagger for sized residue products, kiln stack gas oxygen analyser, yard lift trucks and mobile ramps at Haley. The above expenditure includes $176,000 for the ferrosilicon smelter at Beauharnois. This is the beginning of a major programme to improve and expand the facility in order to reduce

maintenance costs and downtime, reduce costs of raw materials and metal handling, and increase covered storage area for metal products.

Due to the loss for the year and the anticipated further capital expenditures referred to in this report, your Directors decided that a dividend should not be paid this year.

Aerometals Limited sales for the year were $580,236., a 52% increase over last year's sales of $381,425. The products that largely contributed to this increase were magnesium dockboards and the recently developed magnesium bucket for handling concrete.

The high cost of ferrosilicon from the Beauharnois smelter was due to operational difficulties which resulted in excessive maintenance costs and downtime. In conjunction with Chromium Mining and Smelting Corporation Limited, who operate the smelter under lease, a major facility improvement programme was initiated in October and will be completed in 1969. It is anticipated that your Company's share will be approximately $425,000. in 1969.

Our research activities were mainly concerned with product improvement, die casting alloys and process efficiency. Tests on machine removal of residue from retorts have been discontinued in favour of pneumatic removal. Tests on pneumatic transporting of residue are sufficiently encouraging to warrant continuing investigations.

The present market demand for magnesium is strong and should continue throughout 1969. Calcium sales increased toward the year end and delivery demands for the first quarter of 1969 indicate a good sales volume for the whole year.

Your Directors record with profound regret the sudden passing on February 2, 1969, of Dr. Horace J. Fraser. As a member of the Board for nine years, and as President since 1964, he made a very valuable contribution to the Company's progress. His guidance and advice will be sorely missed.

The Board would like to pay tribute to our Plant Managers, D. J. McPhail (Haley Plant), W. Z. Jarmicki (Aerometals plant) and to H. G. Warrington, Sales Manager, together with the staff and employees for their effort during the year.

On Behalf of the Board,

JOHN THOMSON,
Vice-President and General Manager.

Toronto, Canada,
February 24, 1969.

Dominion Mag

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Consolidated Balance S

(with comparative figu

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	$ 607,246	$ 720,871
Short term bank deposits and accrued interest	1,010,150	966,886
Accounts receivable	1,527,928	1,439,257
Income tax refund claim	122,835	
Inventories valued at the lower of cost and net realizable value	1,218,407	1,156,086
Prepaid expenses	37,358	26,843
	4,523,924	4,309,943
FIXED ASSETS, at cost		
Mining properties and land	87,380	90,858
Plant and equipment	9,736,309	9,677,068
	9,823,689	9,767,926
Less accumulated depreciation	7,148,650	7,117,663
	2,675,039	2,650,263
OTHER ASSETS AND DEFERRED CHARGES		
Special refundable tax	24,427	24,294
Deferred charges	42,654	43,979
	67,081	68,273
	$7,266,044	$7,028,479

AUDITO

To the Shareholders of
Dominion Magnesium Limited

We have examined the consolidated balance sheet of Dominion Magnesium ments of income, retained earnings and source and application of funds for the yea and such tests of accounting records and other supporting evidence as we consider

In our opinion these consolidated financial statements present fairly the fin operations and the source and application of their funds for the year then ended, i with that of the preceding year.

Toronto, Canada
February 10, 1969

esium Limited

e laws of Ontario)

Y COMPANIES

eet — December 31, 1968

at December 31, 1967)

LIABILITIES

	1968	1967
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$1,059,741	$ 586,940
Employees' savings and pension fund contributions payable	40,000	40,000
Income taxes payable		199,561
	1,099,741	826,501
DEFERRED INCOME TAXES	205,500	314,300
PROVISION FOR PLANT AND EQUIPMENT REPAIRS	301,420	253,134

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized—500,000 shares of no par value		
Issued—476,270 shares	3,203,045	3,203,045
RETAINED EARNINGS	2,456,338	2,431,499
	5,659,383	5,634,544
	$7,266,044	$7,028,479

Approved by the Board

J. THOMSON, *Director*

G. T. N. WOODROOFFE, *Director*

REPORT

ited and subsidiary companies as at December 31, 1968 and the consolidated state-
en ended. Our examination included a general review of the accounting procedures
necessary in the circumstances.

al position of the companies as at December 31, 1968 and the results of their
ccordance with generally accepted accounting principles applied on a basis consistent

Thorne, Gunn, Helliwell and Christenson

Chartered Accountants

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
Sales	$8,552,840	$7,746,311
Cost of sales	8,249,547	6,687,770
	303,293	1,058,541
Rental revenue, Beauharnois plant	219,635	216,868
Profit from operations before the following deductions	522,928	1,275,409
Deduct		
Selling, general and administrative expenses	309,993	278,986
Research	182,525	189,894
Depreciation	286,871	298,580
Patent expenses	8,209	7,685
Contribution to employees' savings and pension fund	40,000	40,000
	827,598	815,145
	(304,670)	460,264
Other income		
Investment income	68,409	60,883
Profit on disposal of fixed assets	41,500	
Royalty income		2,000
	109,909	62,883
Income (loss) before income taxes	(194,761)	523,147
Income taxes (note 1)		
Current payable (recoverable)	(110,800)	210,924
Deferred	12,600	39,000
	(98,200)	249,924
Net income (loss) for the year	$ (96,561)	$ 273,223
Net income (loss) per share	(20¢)	57¢

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Balance at beginning of year	$2,431,499	$2,145,644
Deferred income tax adjustments (note 1)	121,400	131,700
	2,552,899	2,277,344
Net income (loss) for the year	(96,561)	273,223
	2,456,338	2,550,567
Deduct dividend 25¢ per share		119,068
Balance at end of year	$2,456,338	$2,431,499

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Source of funds		
Operations		
Net income (loss) for the year	$ (96,561)	$ 273,223
Items not involving a current outlay of funds		
Depreciation	286,871	298,580
Deferred income taxes	12,600	39,000
Increase (decrease) in provision for plant and equipment repairs	48,286	(377)
	251,196	610,426
Decrease in deferred charges	1,325	3,277
	252,521	613,703
Application of funds		
Additions to fixed assets	311,647	106,214
Special refundable tax	133	7,994
Dividend		119,068
	311,780	233,276
Increase (decrease) in working capital	(59,259)	380,427
Working capital at beginning of year	3,483,442	3,103,015
Working capital at end of year	$3,424,183	$3,483,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

1. INCOME TAXES

The company reflects in earnings income taxes currently payable or recoverable. The company also reflects income taxes deferred by claiming capital cost allowances in excess of depreciation recorded in the accounts and by making provision for plant and equipment repairs by charges to income in excess of deductions claimed for tax purposes.

Taxes currently recoverable for 1968 arise by application of a loss for 1968 against income for 1967. Deferred income tax adjustments in retained earnings reflect in 1968 adjustments relating to inter-company transfer of fixed assets and in 1967 adjustments relating to provision for plant and equipment repairs.

2. STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act) amounted to $99,800 (1967, $97,840).

Dominion Magnesium Limited

Head and Sales Office

7 King St. E.
Toronto 1, Ontario

Plant

Haley, Ontario

Magnesium Metal and Alloys
Ingots, Billets
Extrusions

Calcium Metal in all grades
and forms.
Calcium Alloys

Thorium Metal
Zirconium, Thorium, Titanium Metals and Master Alloys,
Barium, Strontium Metals Specialty Alloys

— SUBSIDIARY COMPANY —

Aerometals Limited ..... Magnesium Designers and Fabricators
Ferrosilicon Plant

Head Office

7 King St. E.
Toronto 1, Ontario

Plant Office

195 Bentworth Avenue
Toronto 19, Ontario

Plant Products

Ladders — Industrial and Domestic
Wire Reels — Shipping and Process
Rigging Blocks
Shovels — Grain Handling
Snow Pushers
Trucks — Hand and Platform
Diamond Drill Rods
Concrete Buckets

Brick Tongs and
Construction Hardware
Pike Poles and Duct Rods
Defence Equipment
Tools, Dockboards,
Sporting Equipment
Drilling Towers
Luggage Frames

should continue until hostilities cease in Vietnam. Our main sales effort is directed toward the U.S.A. market, wherein we have the advantage of the Canada-U.S. Defence Production Sharing Act, which allows duty-free entry.

JOHN THOMSON,
Vice President and General Manager.

August 12, 1968.

Printed in Canada

DOMINION MAGNESIUM LIMITED

INTERIM REPORT TO SHAREHOLDERS

6 MONTHS
ENDED JUNE 30, 1968

DOMINION MAGNESIUM LIMITED

CONSOLIDATED STATEMENT OF INCOME

(Interim Report Subject to Audit and Year-End Adjustments)

	Six Months Ended June 30 1968	1967
Sales	$4,272,561	$3,904,429
Operating Costs Including Depreciation	4,326,001	3,723,290
Operating Income or (Loss)	(53,440)	181,139
Rental Revenue, Beauharnois Plant (Less Depreciation and Insurance)	72,300	71,622
Other Income	32,320	30,491
Income Before Income Taxes	51,180	283,252
Provision for Income Taxes	25,000	141,626
Net Income — Estimated	$ 26,180	$ 141,626
Earnings Per Share	$0.05	$0.30

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS		
Net Income for the period	$ 26,180	$ 141,626
Add charges not involving the outlay of cash		
Depreciation	163,200	175,200
Provision for plant and equipment repairs (decrease) increase	(83,796)	79,225
	105,584	421,722
APPLICATION OF FUNDS		
Additions to fixed assets (Net)	43,837	23,999
Increase (Decrease) in deferred charges	(4,429)	1,210
Special refundable tax	553	7,993
	39,961	33,202
Increase in working capital	$ 65,623	$ 388,520

DOMINION MAGNESIUM LIMITED

AND SUBSIDIARY COMPANY

AEROMETALS LIMITED

To The Shareholders:

The following is a condensed report of the results of operations for the six months ended June 30, 1968 and comparable information for the corresponding period of 1967.

Total sales volume for the first six months of 1968 was 9.4% higher than the same period for 1967. Aerometals Limited sales were up 55%, due to increasing business in concrete handling buckets and dock boards.

The drastic drop in earnings is a result of high ferrosilicon costs at the Beauharnois Smelter, a decrease in sales of calcium along with higher costs of labour, transportation and materials. The increase in the cost of ferrosilicon was most damaging to earnings and was occasioned by operational difficulties at the Beauharnois Smelter resulting in excessive maintenance costs and downtime. Some of the difficulties have been overcome and costs should decline in the second half of the year.

Presently the world demand for magnesium and magnesium alloys is strong and

Dominion Magnesium Limited

HEAD OFFICE
7 KING ST. E., TORONTO

ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Dominion Magnesium Limited will be held in The Conference Room, 20th Floor, 7 King St. E., Toronto, on Wednesday, the 3rd day of April, 1968, at the hour of 11:00 o'clock in the forenoon (Toronto Time).

(a) To receive the Consolidated Financial Statements of the Company, Directors' Report and the Auditors' Report thereon for the fiscal year ended December 31st, 1967.

(b) To elect Directors for the ensuing year.

(c) To appoint Auditors.

(d) To transact such other business as may properly come before the meeting or at any adjournment or adjournments thereof.

DATED at Toronto, Canada, March 15th, 1968.

H. B. CLEARIHUE,
Secretary-Treasurer.

If it is not your intention to be present at the meeting, the favor of your proxy on the attached form is respectfully requested.

Dominion Magnesium Limited

Information Circular

This Information Circular is furnished in connection with the Solicitation of proxies for use at the Annual Meeting of the Shareholders of Dominion Magnesium Limited (hereinafter called "the Company") to be held in the Conference Room, 20th Floor, 7 King Street East, Toronto on Wednesday, the 3rd day of April, 1968 at 11:00 a.m. in the forenoon for the purpose set forth in the accompanying Notice of Annual Meeting.

The enclosed proxy is solicited by the management of the Company. The Solicitation will be made only by mail. The cost of the Solicitation will be borne by the Company. A shareholder giving a proxy has power to revoke it at any time before it is voted.

Voting Shares and Principal Holders Thereof

The Company has outstanding 476,270 shares of no par value. Each holder of a common share of the Company of record on April 3, 1968, the date of the meeting, is entitled to one vote for each such share held. All proxies must be lodged with the Secretary at or prior to the commencement of the meeting.

To the knowledge of the directors and senior officers of the Company, the following are the only persons or companies who beneficially own directly or indirectly, more than ten per cent of the shares of the Company:

Name	Number of shares beneficially owned as of March 6, 1968	Approximate percentage of outstanding shares
Falconbridge Nickel Mines Limited Toronto, Ontario	263,004	55.2%

Election of Directors

The By-Laws of the Company provide that the Board of Directors shall consist of (8) eight directors to be elected annually. The term of Office for each director is until the next annual meeting or until his successor is elected.

The following persons are proposed to be nominated for election as Directors of the Company.

Name and principal occupation of nominee during the past 5 years	Became a Director	Shares Beneficially owned as a March 6, 1968
H. J. Fraser President Dominion Magnesium Limited President and Managing Director Falconbridge Nickel Mines Limited	1963	Nil*
J. Thomson Vice-President and General Manager Dominion Magnesium Limited	1956	661
C. P. Keeley Vice-President and Director McLeod, Young, Weir & Co. Ltd. (Investment Dealers)	1967	55
F. H. Jowsey Mining Executive F. H. Jowsey Limited	1957	1

Name and principal occupation of nominee during the past 5 years	Became a Director	Shares Beneficially owned as a March 6, 1968
J. M. Mortimer Metallurgist Falconbridge Nickel Mines Limited	1958	Nil*
L. M. Pidgeon Consulting Metallurgist Dominion Magnesium Limited Professor, Department of Metallurgy and Material Science, University of Toronto	1952	25
J. R. Smith Vice-President, Eastern Mineral Division, Falconbridge Nickel Mines since February, 1968 and for more than five years prior to that Manager, Lake Dufault Mines Limited	1968	Nil*
G. T. N. Woodrooffe Vice-President, Corporate Affairs, Falconbridge Nickel Mines since February, 1968 and for more than five years prior to that Vice-President, Finance and Secretary, Falconbridge Nickel Mines Limited	1957	Nil*

* Each nominee for director noted as owning nil shares beneficially holds one qualifying share in trust for Falconbridge Nickel Mines Limited.

Remuneration of Directors and Senior Officers

During the fiscal year ended December 31, 1967 the aggregate direct remuneration paid or payable by the Company and its subsidiaries (all of which were consolidated) to all directors and senior officers as a group was $97,840.

The aggregate cost to the Company and its subsidiaries in the fiscal year ended December 31, 1967 of normal pension benefits to all directors and senior officers amounted to $2,825.

There are no other plans, contracts or arrangements for payments by the Company or any of its subsidiaries to any director or senior officer. The Company has no stock option plan.

Appointment of Auditors

It is intended to vote the proxy to re-appoint the firm of Thorne, Gunn, Helliwell & Christenson (who have been the auditors of the Company for many years) to hold office until the next annual meeting of Shareholders.

Designation of Others to Vote Proxies

Each shareholder has the right to designate as his proxy a person other than the management nominees to attend and act for such shareholder at the annual meeting. Any shareholder desiring to exercise such right may do so by striking out the names of the management nominees named in the enclosed form of proxy and inserting in the space provided the name of the person who such shareholder desires to appoint as proxy. Proxies given in favour of a person other than the management nominees should be forwarded to such person and should not be forwarded to the company.

By Order of the Board of Directors,

H. B. CLEARIHUE,
Secretary-Treasurer.

Dated March 6th, 1968.

Printed in Canada